

Flexploitation: the case of the 2012 Spanish Labour Market reform

Ronald Janssen of the European Trade Union Confederation *argues against the idea that the solution to unemployment lies in more flexible working practices, pointing out that precarious jobs make for a precarious recovery.*

Last month the informal EPSCO Council met in Athens to discuss, amongst others, the link between structural reforms and a job rich recovery. They would do well to take a closer look at the labour market reform the Spanish conservative government undertook in February 2012. This reform did not limit itself to undermine existing collective bargaining institutions (measures which have recently been declared as constituting a breach of ILO convention on the freedom of association by the way, see the resolution [here](#)) but also covered the area of labour law and labour contracts.

This latter series of reform measures followed the slogan which policy makers across Europe never get tired of repeating over and over again: To address the segmentation of the labour market, in other words, the high incidence of temporary work contracts, protection of open ended contracts was to be reduced.

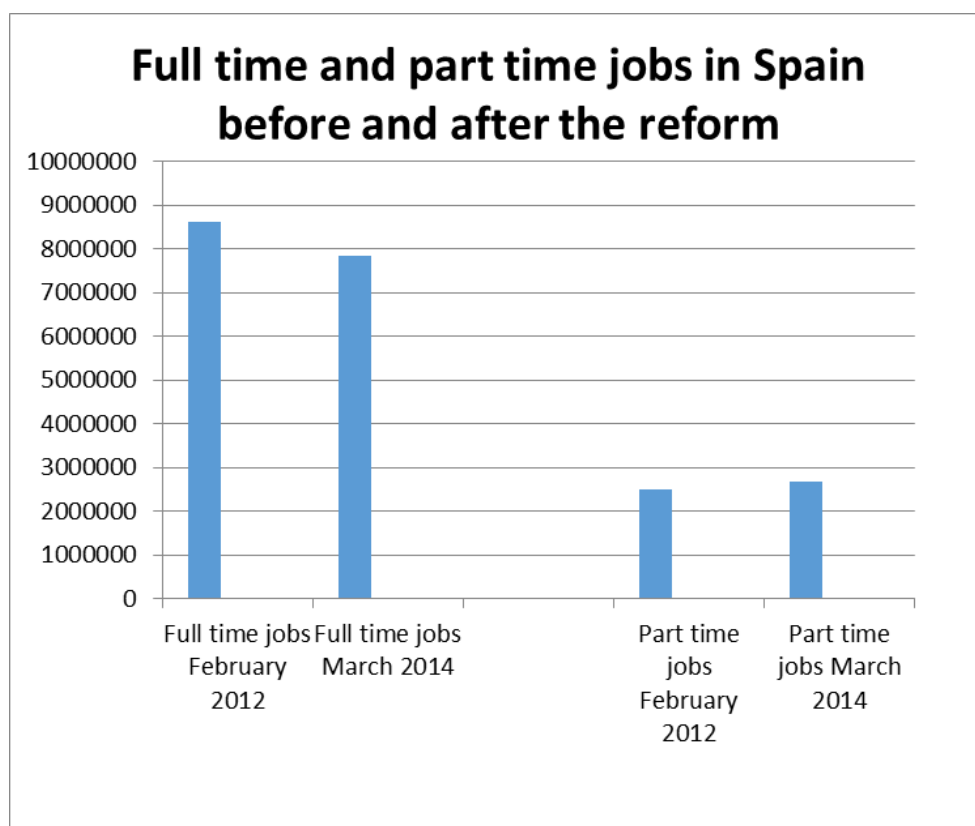
And so redundancy payments were reduced and capped at a maximum of 24 months. Also, “express dismissals”, carrying a high cost of dismissal with them, together with the administrative authorisation of collective redundancies got eliminated.

Other reforms concerned the introduction of overtime and additional working hours to those initially agreed for part time workers, the prolongation of the period of internship from one to three years and the possibility for employers to fire more easily those workers that have been absent more than 5% of working time, including absence because of sickness related reasons.

The result: Bad jobs are driving out good jobs

Two years after the reform, what are the results? (Following numbers are inspired by graphs published by El Pais and picked up by Jose Carlos Diez, see the link [here](#)). First, there has been massive destruction of 800.000 full time jobs. At the same time 150.000 part time jobs were added. These numbers point to the fact that employers have been very active in transforming full time jobs into part time contracts.





Source: *El Pais*

The Spanish government sees this rise in part time work as desirable, allowing workers to better combine work and life balance. This, however, is not how the majority of workers sees it. According to the figures quoted by *El Pais*, 70% of men and 60% of women report they are working part time, not because they want to but because it is impossible to find a full time job.

What drives employers to cut up full time jobs into part time jobs? The answer does not seem to be that part time arrangements provide employers with the flexibility they would need in the organisation of the work load. The plain and simple answer is that part time work allows business to cut wage costs by exploiting workers.

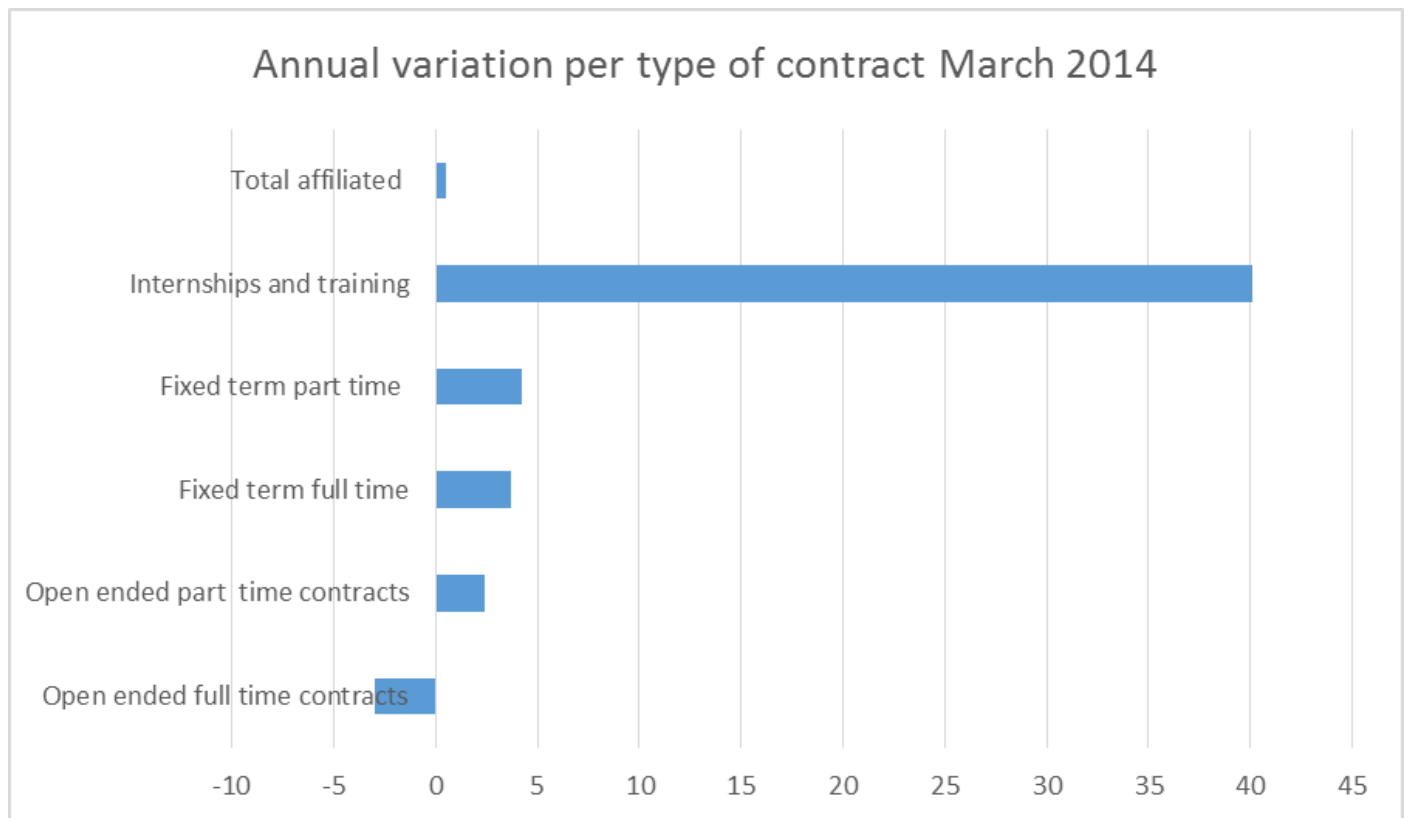
Part time workers are being paid an hourly wage rate (10.8 Euro) that is substantially lower than the wage of full time workers (16.2 Euro). This makes it a lot cheaper to get two part timers to do the job of one full timer. In addition, employers are reported to abuse overtime work by having part timers work longer hours for no pay. With 'free' labour in this way at their disposal, no wonder business massively turns to part time contracts.

What about the objective of tackling the segmentation of the labour market and limiting the use of temporary contracts by making open ended contracts more flexible ? The numbers do not show any improvement whatsoever. At the end of 2013, the share of open ended contracts in all labour contracts was 70, 6%, similar to the figure of a 71% share recorded in February 2012.

If one goes into more detail by looking specifically at new hires only, the same picture appears. Before the reform, over 90% of all new hires were undertaken by using fixed term work contracts. Two years later, this is still the case. In other words, less than 10% of all new hires are open ended contracts. So much for the theory that employers will offer open ended contracts if inly these contracts would be less protected. What employers want is total flexibility so as to be able to fire all workers on the spot without any formality or compensation whatsoever

Besides substituting full time for part time contracts, employers have also identified the opportunity of using internships as yet another way to crush labour costs. And so in March 2014 compared with a year earlier, the number of internships exploded by 40%, whereas the total number of

workers contributing to social security barely increased by 0.5%. Again, the issue here is one of outright exploitation since these young workers are only being paid a minimal sum of a couple of 100 Euro 's a month, with business now being able to enjoy this type of extremely cheap work for a period of three years.



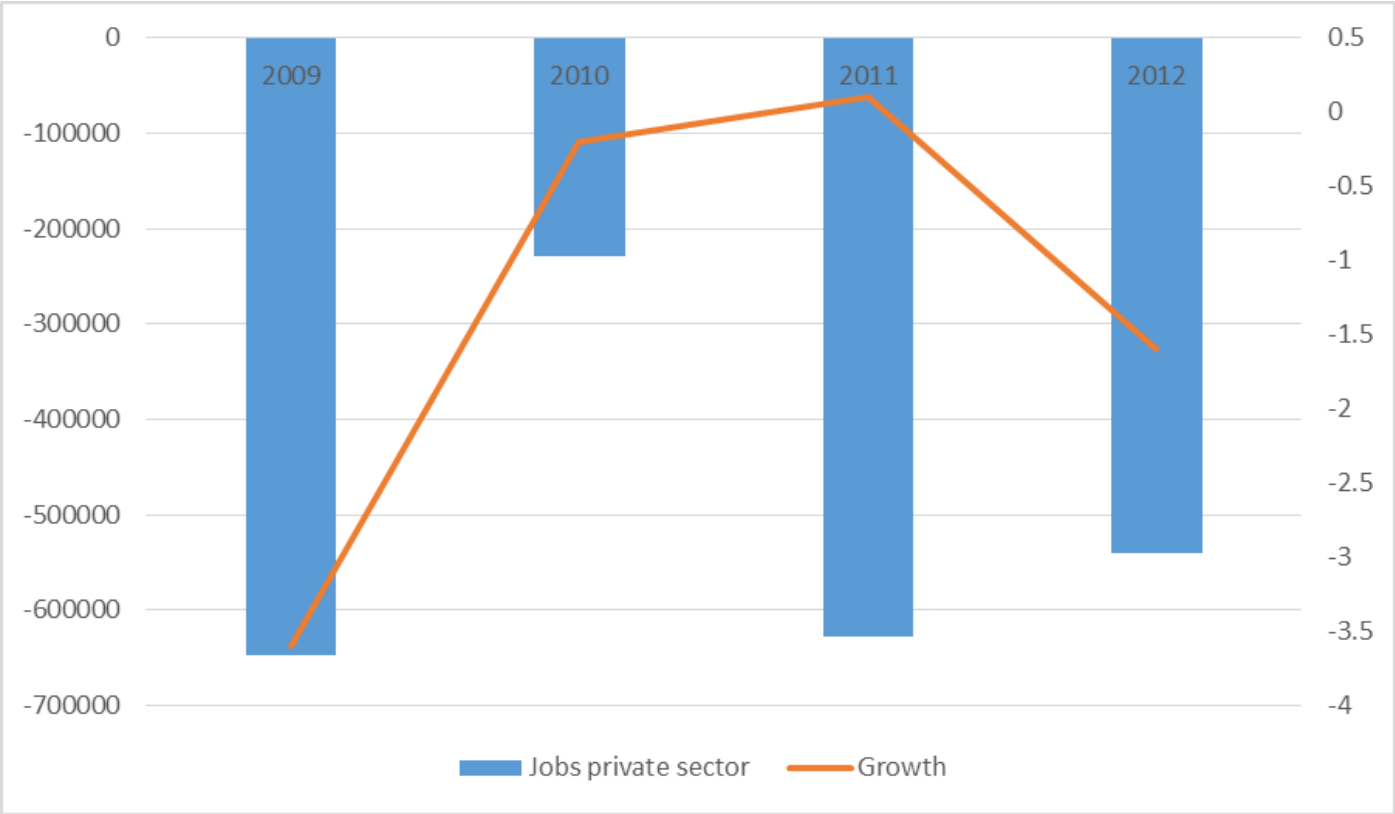
What effect did the measure have to loosen up the job protection of workers being too often (more than 5%) absent from work? The government of Spain seems to be proud to report that absenteeism from work because of health reasons has fallen by 13%, a development which however could also be seen as a bit 'barbaric' with sick workers being forced to turn up at work out of fear of losing their job.

Finally, there is the argument that the reforms worked to make the labour market more resilient against shocks in demand and economic activity. Here, the Spanish government claims victory by pointing to the fact that in the four quarters after the reform 87.800 fewer jobs were destroyed in the private sector than in the four quarters before the reform, and this despite a lower rate of growth. If however, as argued above, employers shave been substituting full time jobs for part times ones, these numbers are not very meaningful at all.

Moreover, using a different time period delivers totally different conclusion. Comparing 2012 with 2009, the first year when a major reduction in economic activity took place, delivers a totally different conclusion. In 2009, GDP fell by 3, 8%, which is twice the fall in GDP in 2012 (-1, 6%). In the former year 648.000 jobs were destroyed whereas the number of jobs disappearing over 2012 amounted to 540.000. From this comparison, it would seem that the 2012 reform actually made things worse....

These dismal experiences with the labour market reform in Spain are not a unique case. Exactly the same trends can be observed in other flexibility inspired reforms such as for example the reforms that took place in Germany at the beginning and in the middle of previous decade. There, just like in Spain, the reforms simply increased the number of precarious jobs such as mini jobs, part time jobs, and temporary contracts without creating a higher volume of work.

This raises a key problem. Indeed, the idea of these flexibility reforms is to trigger a so called  job



rich' recovery. However, the recovery will not be able to sustain itself if the jobs that appear boil down to low paid, part time and insecure jobs. Precarious jobs make for a precarious recovery and the final outcome may well be a 'job unfriendly stagnation' and not a 'job rich recovery'.

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